

EXHIBIT 5

10-K 1 f10k2014_droneaviation.htm ANNUAL REPORT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2014

Commission File No. 333-150332

DRONE AVIATION HOLDING CORP.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

46-5538504

(I.R.S. Employer
Identification No.)

**11653 Central Parkway #209
Jacksonville FL**

(Address of principal executive office)

32224

(Zip Code)

(918) 932-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined by Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☒ No ☐

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Note: The Company is a voluntary filer but has filed all reports it would have been required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months if it was a mandatory filer.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates as of June 30, 2014, based on the closing sales price of the Common Stock as quoted on the OTC Markets was \$12,924,476. For purposes of this computation, all officers, directors, and 5 percent beneficial owners of the registrant are

PART I

Item 1. Business

Organization

MacroSolve, Inc. (“MacroSolve”) was a corporation formed on January 17, 1997, under the laws of the State of Oklahoma. Since July 2012, MacroSolve focused on intellectual property licensing and enforcement of its patent in the mobile app market development space. MacroSolve also offered consulting services related to mobile app development, marketing and financing of mobile app businesses.

Effective April 30, 2014, MacroSolve entered into an Agreement and Plan of Merger (the “Merger Agreement”) with its wholly-owned subsidiary, Drone Aviation Holding Corp., a Nevada corporation, pursuant to which MacroSolve merged with and into Drone Aviation Holding Corp. (the post-merger company, “we”, “DAHC”, or the “Company”) for the purpose of reincorporating the Company in the State of Nevada (the “Merger”). Pursuant to the Merger, every 50.56186 shares of common stock of MacroSolve, other than shares that are owned by stockholders exercising appraisal rights, were converted into one share of common stock, par value \$0.0001, of Drone Aviation Holding Corp., with the same rights, powers and privileges as the shares prior to such conversion (such exchange ratio, the “Merger Exchange Ratio”). All per share numbers referenced throughout this Annual Report give effect to the Merger Exchange Ratio.

Upon consummation of the Share Exchange on June 3, 2014, with Drone (as such terms are defined and described below), Drone became the Company’s wholly owned subsidiary and the Company began a new line of business in the tethered drone space. As further described in the Corporate Structure section below, on March 26, 2015, the Company filed a Plan of Merger in the State of Nevada for the purpose of merging Drone in the Company which is the surviving corporation.

Our principal executive offices are located at 11653 Central Parkway #209, Jacksonville FL 32224.

Overview

Recent Developments

Exchange Agreements

On April 17, 2014, we entered into a series of exchange agreements (the “Exchange Agreements”) with certain holders of convertible debentures and promissory notes in the principal face amount of \$683,680 and accrued interest of \$97,306 previously issued by the Company. Pursuant to the Exchange Agreements, the holders exchanged the notes and relinquished any and all other rights they may have pursuant to the notes in exchange for 595,000 shares of newly designated Series C Convertible Preferred Stock, 324,671 shares of newly designated Series D Convertible Preferred Stock and 156,231 shares of newly designated Series D-1 Convertible Preferred Stock. Such exchanges were conducted pursuant to the exemption provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Pursuant to the Merger Agreement on April 30, 2014, (i) each share of Series C Convertible Preferred Stock was exchange for one share of Series A Convertible Preferred Stock of the Company, (ii) each share of Series D Convertible Preferred Stock was exchanged for one share of Series B Convertible Preferred Stock of the Company, and (iii) each share of Series D-1 Convertible Preferred Stock was exchanged for one share of Series B-1 Convertible Preferred Stock of the Company.

Series A Preferred

Pursuant to the Series A Preferred Stock Certificate of Designation, the Company designated 595,000 shares of its blank check preferred stock as Series A Convertible Preferred Stock (“Series A Preferred Stock”). Each share of Series A Preferred Stock has a stated value of \$1.00 per share. In the event of a liquidation, dissolution or winding up of the Company, each share of Series A Preferred Stock will be entitled to a payment as set forth in the Certificate of Designation. The Series A Preferred Stock is convertible into such number of shares of the Company’s common stock equal to such number of shares of Series A Preferred Stock being converted multiplied by 100 and divided by the stated value. Each share of Series A Preferred Stock entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each share of Series A Preferred Stock entitles the holder to cast such number of votes equal to the number of shares of common stock such share of Series A Preferred Stock is convertible into at such time, but not in excess of the conversion limitations set forth in the Series A Preferred Certificate of Designation. The Series A Preferred Stock will be entitled to dividends to the extent declared by the Company.